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Memorandum for: DDI

This memorandum was prepared at the request of the Public Relations Office for use in preparing a speech for the DCI.

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8 August 1984

Director,

E U R A

Office of European Analysis
Directorate of Intelligence

EURM84-10167

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7 August 1984

MEMORANDUM

The United States and Strategic Minerals from Canada

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The United States imports no manganese or chromium from Canada, but does import quantitites of uranium, cobalt, and platinum. Because of Canada's internal political stability, positive disposition toward the United States, and strong allegiance to NATO, we believe that it is a secure and reliable supplier of strategic minerals. In addition, there appears to be almost nothing that the USSR could do to disrupt the crossborder transfer of these minerals from Canada to the United States.

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Political Setting

Canada is a stable parliamentary democracy with few internal strains. Both major political parties, the Liberals and the Progressive Conservatives, are centrist in their policy orientation and are committed to maintaining strong ties with the United States. Canada's third party -- the socialist and somewhat anti-American New Democractic Party -- apparently is on the wane as a national political force.

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In the post-Trudeau period, all three parties are promoting the further development and export of Canada's natural resources as a primary means of fostering economic growth. It seems likely, therefore, that no matter which party wins the election on 4 September, Canada will be ready and increasingly able to supply mineral products to foreign consumers.

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Chromium

Canada currently produces no chromium and instead imports small amounts ($24 million worth) from the United States and South Africa. Canada does have substantial chromium reserves located in northeastern Manitoba and eastern Quebec -- the mineral was mined in Quebec during World War Two -- and its production is feasible if the international price of chromium rises significantly.

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Manganese

Canada mines no manganese at this time, but does possess large low-grade manganese deposits in Nova Scotia, New Brunswick, and British Columbia. Ottawa estimates that there are about 45 million tons of low-grade manganese -- 14-percent iron and 11-percent manganese -- in New Brunswick. The Department of Energy, Mines, and Resources is conducting feasibility studies for its manganese resources, but believes that depressed world demand and the inferior quality of its reserves make production in the near or medium term unlikely. The value of Canadian imports of manganese, mostly from southern Africa, totaled $31 million in 1982. 25X1

Cobalt

Canada produces cobalt as a byproduct of nickel and copper refining, and cobalt production therefore depends heavily on international demand for nickel and copper. During the recession of 1980-83, worldwide demand for nickel and copper dropped dramatically, and Canada's production of cobalt fell from 2,100 metric tons in 1980 to 1,300 tons in 1982. Between 1978 and 1982, imports from Canada covered between 3 and 10 percent of total US cobalt imports. 25X1

Cobalt

Year	Metric Tons			Percent of Total US Imports
	Canadian Production	Canadian Exports	US Imports from Canada	
1978	1,234	717	631	8.4
1979	1,640	297	261	3.0
1980	2,118	326	228	3.3
1981	2,080	676	625	9.9
1982	1,274	585	527	9.8

Platinum Ores and Concentrates

Canada, the world's third-largest producer of platinum, provides 5.6 percent of world supply -- South Africa and the USSR together produce 94 percent. As with cobalt, Canada secures its supply of platinum as a byproduct of the nickel refining process, making Canadian platinum production dependent on the international demand for nickel. Most of Canada's platinum is exported to the United Kingdom for processing and only a limited quantity comes to the United States. 25X1

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Platinum

Year	Metric Tons: Canadian Production	Metric Tons: Canadian Exports	Metric Tons: US Imports from Canada	Percent of Total US Imports
1978	10.8	10.6	0.000	0.00
1979	6.2	4.9	0.038	0.09
1980	12.8	12.4	0.085	0.23
1981	11.9	10.1	0.014	0.05
1982	7.1	8.6*	0.104	0.42
1983	5.2	5.8*	0.082	0.26

*Excess of exports over production in these years was due to drawdowns on platinum stocks necessitated by strikes in the Canadian nickel industry.

Uranium

Canada now produces 20 percent of the world's uranium supply and probably will be the world's leading producer in 1984. Ottawa estimates its reserves to be around 573,000 tons -- only about 10 percent of which will be needed to meet domestic demand over the next 30 years -- and expects Canada's annual production to reach 12,000 tons by 1986 and 15,000 tons by the mid-1990s. A worldwide glut in uranium supplies caused both Canadian production and exports to drop sharply in 1983, after several years of increase. During 1972-82, the United States purchased an average of 15 percent of Canada's uranium exports -- about 950 metric tons per year.

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Canada possesses large reserves of uranium in Saskatchewan and the Northwest Territories. Resource development, however, was slowed by the recent recession and is only now beginning to recover. We believe that the still depressed condition of the Canadian mining industry and the current world glut of uranium will prevent exploration and development activities in Canada from resuming their past level at an early date. Most of Canada's undeveloped uranium deposits are located in remote areas which will require the construction of substantial new and costly infrastructure prior to exploitation.

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Uranium

Year	Metric tons: Canadian Production by Weight	Millions of US $: Canadian Production by Value	Millions of US $: Total Value of Canadian Exports	Millions of US $: Value of US Imports from Canada	Percent of Total US Imports by Value
1978	8,211	541.6	181.7	143.8	*
1979	6,530	526.2	323.5	296.7	*
1980	6,739	600.2	197.2	179.5	*
1981	7,507	662.4	149.6	127.2	58.5
1982	7,643	678.3	290.5	281.0	65.2
1983	7,035	585.4	50.7	20.6	9.6

*Data unavailable.

Potential for Soviet Disruption of Canadian Supplies

We believe that there is almost no way in which the USSR could disrupt the export of Canadian strategic minerals to the United States. Ottawa is a staunch supporter of NATO and will remain so. In addition, Canada-US mineral trade is largely conducted across a 3,000 mile land border that is immune from the dangers inherent in seaborne or air transportation.

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Other Points Regarding Canada's Production of Strategic Minerals

-- Ottawa believes that Canada has large quantities of manganese, chromium, cobalt, and platinum in its offshore areas, but sees little possibility of seabed mining until well after the year 2000.

-- Canada's commitment to acid rain abatement also may influence its production of cobalt and platinum. Two of Canada's largest nickel refiners -- Falconbridge and Inco -- are also two of the biggest producers of the sulphur dioxide (SO_2) emissions that Canadian environmental officials believe cause acid rain. If Ottawa acts to limit SO_2 emissions in this industry, the refining of nickel in the near term may decrease and with it Canada's production of cobalt and platinum.

-- Overall, Ottawa is concerned about the reliability of its external sources of strategic minerals -- particularly those, like manganese and chromium, that come from southern Africa -- and is encouraging public and private sector efforts to discover additional deposits in Canada. In addition, Ottawa's decision to stress the further exploitation of natural resources as a vehicle of economic growth also is likely to increase domestic mineral production. If these efforts are successful, Canada probably will become more self-sufficient in strategic minerals and better able to supply the United States with some of its requirements.

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